

**Canada - Manitoba
Subsidiary Agreement
on Churchill**

Canada

MANIT^{BA}

CANADA - MANITOBA

SUBSIDIARY AGREEMENT ON CHURCHILL

THIS AGREEMENT made this day of 1984.

BETWEEN THE GOVERNMENT OF CANADA (herein referred to as "Canada") represented herein by the Minister of Transport

AND THE GOVERNMENT OF THE PROVINCE OF MANITOBA (herein referred to as "Manitoba") represented herein by the Minister of Highways and Transportation.

WHEREAS Canada and Manitoba have entered into the Canada-Manitoba Economic and Regional Development Agreement on January 4, 1984.

AND WHEREAS this prior agreement provides, in part, for the entering into of subsidiary agreements for:

- (a) coordination of existing federal and provincial policies, programs or activities which support the measures to be implemented, including measures for human resource development;
- (b) support, including financial assistance not available under other existing government programs;
- (c) outlines of the activities and responsibilities of each government with respect to the measure;
- (d) the division of cost between each government and the maximum amount thereof to be incurred; and
- (e) where the costs of any measure are to be shared between Canada and the Province, a Subsidiary Agreement shall specify the cost-sharing arrangement and the procedure for submission and reimbursement of claims between the parties, and may provide for advance payments and reimbursement by way of progress claims.

AND WHEREAS Canada and Manitoba agreed on the following Transport and related industrial development objectives to guide the development of the subsidiary agreements:

- (a) more effective achievement of federal and provincial economic and industrial development objectives;
- (b) increased transportation efficiency and effectiveness

- (c) maintain existing or enhanced levels of transportation system safety;
- (d) maintain existing or enhanced levels of transportation services;
- (e) advancement of industrial technological capability in the transportation field.

AND WHEREAS Canada and Manitoba have agreed on the further development of Churchill as a northern transportation centre as a priority.

AND WHEREAS Canada and Manitoba have acknowledged the long-term strategic importance of Churchill.

AND WHEREAS Canada and Manitoba have entered into a Memorandum of Understanding respecting Manitoba Transportation and Urban Bus Industrial Development on December 8, 1983 in which they agree to cooperate in preparing three subsidiary agreements; the first relating to Churchill and its longer term prospects, the second revolving around broader provincial transportation development matters and the third relating to urban bus industrial development.

AND WHEREAS the Governor-in-Council by Order-in-Council No. of the day of , has authorized the Minister of Transport to enter into this Agreement on behalf of Canada.

AND WHEREAS the Lieutenant Governor-in-Council by Order-in-Council No. of the day of , has authorized the Minister of Highways and Transportation to enter into this Agreement on behalf of Manitoba.

NOW THEREFORE THIS AGREEMENT WITNESSETH that in consideration of the premises, covenants and agreements herein contained, the parties covenant and agree as follows:

DEFINITIONS

1. In this Agreement, unless the context requires otherwise,
 - (a) "ERDA" means the Canada-Manitoba Economic and Regional Development Agreement made on January 4, 1984;
 - (b) "eligible costs" means costs referred to in subsection 7.2.;
 - (c) "Federal Minister" means the Minister of Transport and includes anyone authorized to act on his behalf;

- (d) "Provincial Minister" means the Minister of Highways and Transportation and includes anyone authorized to act on his behalf;
- (e) "fiscal year" means the period commencing on April 1 of any year and terminating on March 31 of the immediately following year;
- (f) "implementing jurisdiction" means a party hereto which has the responsibility of delivering a project hereunder;
- (g) "Ministerial Policy Committee" means that body established pursuant to subsection 5.1 of this Agreement;
- (h) "Management Committee" means that body established pursuant to subsection 5.6 of this Agreement;
- (i) "program" means a principal component of the Agreement as outlined in Schedules A and B to this Agreement;
- (j) "project" means a subdivision of a program;
- (k) "Province" means the Province of Manitoba; and
- (l) "cost-shared project" means a project arising from any program which is outlined in Schedules A and B and which is jointly funded by the parties hereto.

PURPOSE

- 2.1 The purpose of this agreement is to set out measures to be undertaken by Canada and Manitoba in support of Churchill.

OBJECTIVE

- 3.1 The objective of this Agreement is to enhance the development of Churchill.

IMPLEMENTATION OF MEASURES

- 4.1 To achieve the objective outlined in section 3, Canada shall undertake and pursue, in accordance with its laws and policies, the programs outlined in Schedules A and B for which it is responsible in accordance with the terms and conditions of this Agreement.
- 4.2 To achieve the objective outlined in section 3, Manitoba shall undertake and pursue in accordance with its laws and policies, the programs outlined in Schedules A and B for which it is responsible in accordance with the terms and conditions of this Agreement.

MANAGEMENT AND COORDINATION

5.1 As of the date of the execution of this Agreement, a Ministerial Policy Committee consisting of the Federal Minister personally or another Minister of the Crown authorized by the Federal Minister personally to act on his behalf and the Provincial Minister personally or another Minister of the Crown authorized by the Provincial Minister personally to act on his behalf is hereby constituted.

5.2 The Ministerial Policy Committee shall ensure that the intent and terms and conditions of this Agreement are carried out and shall be responsible for the overall management and administration of this Agreement by considering an annual work plan submitted by the Management Committee and making such modifications thereto as it considers appropriate.

5.3 The Ministerial Policy Committee may at any time issue specific or general policy guidelines or directions to the Management Committee.

5.4 All decisions of the Ministerial Policy Committee shall be in writing and shall be effective only if they are unanimous.

5.5 The Ministerial Policy Committee may establish such advisory bodies as it deems necessary for the efficient implementation of this Agreement and all appointments thereto shall be at the Ministerial Policy Committee's pleasure.

5.6 As of the date of the execution of this Agreement, the Management Committee is hereby established;

5.7 The Management Committee shall consist of four members as follows:

- (a) one voting member to be appointed by the Federal Minister personally;
- (b) one voting member to be appointed by the Provincial Minister personally;
- (c) one non-voting member to be appointed by the Minister of State for Economic and Regional Development;
- (d) one non-voting member to be appointed by the Minister of Industry, Trade and Technology;

5.8 A voting member of the Management Committee may, in writing, authorize another officer to attend and to vote at the meetings of the Management Committee on behalf of that member;

5.9 Subject to any specific or general policy guidelines or directions of the Ministerial Policy Committee, the Management Committee shall be responsible for:

- (a) the general administration of the programs outlined in Schedules A and B including the design and implementation of all procedures to facilitate this administration; the preparation of appropriate documentation to accommodate the budgetary cycle of each of the parties hereto; and the development of an annual work plan and annual estimates as required for the purpose of the Ministerial Policy Committee;
- (b) the approval of projects which are cost-shared hereunder and the review of project descriptions for any project hereunder, other than a cost-shared project. Appropriate project documentation forms shall be prescribed by the Management Committee before approval is given or review is undertaken;
- (c) to prepare and submit annually, during the currency of this Agreement, a report on the progress achieved under this Agreement prior to the annual meeting of the Ministers referred to in subsection 5.1 of the ERDA;
- (d) where it identifies significant human resources implications in respect of any project hereunder, to consider a human resources plan for that project which will include affirmative action and recruitment of labour through Canada Employment and Immigration Commission (CEIC) as appropriate.
- (e) to recommend to the Federal Minister and to the Provincial Minister any actions which would involve:
 - 1. the transfer of the responsibility to implement a program outlined in Schedules A and B or any part thereof from one of the parties hereto to the other;
 - 2. the transfer of funds from one program outlined in Schedules A and B to another for cash flow management purposes;
- (f) subject to section 7 of the ERDA, to ensure the preparation, and to approve the transmittal to the Ministerial Policy Committee, of an annual communications strategy and program to serve the information requirements of the public and to encourage public awareness of the activities of both governments under this Agreement;

(g) to ensure that all contracts and arrangements entered into by an implementing jurisdiction with third parties shall contain the relevant provisions of this Agreement;

- 5.10 The quorum for all meetings of the Management Committee shall be two voting members or their representatives duly authorized pursuant to subsection 5.8.
- 5.11 The decisions of the Management Committee at any meeting shall be acted upon only if taken unanimously by its voting members.
- 5.12 Any matter with respect to which the Management Committee is not unanimous shall be referred to the Ministerial Policy Committee;
- 5.13 The Ministerial Policy Committee and Management Committee shall continue to exist and to operate for a period of twenty-four months after the termination of this Agreement.

ADMINISTRATION

- 6.1 The party hereto that is responsible for implementing any program outlined in Schedules A and B shall be responsible for implementing any project arising therefrom;
- 6.2 Before a project arising from a program outlined in Schedules A and B shall be deemed, for the purposes of this Agreement, to be a project hereunder, such project must be approved
- (a) in the case of a cost-shared project, by the Management Committee; or
 - (b) in the case of a project other than a cost-shared project, by the Federal Minister, if Canada is the implementing jurisdiction for such project, or by the Provincial Minister, if Manitoba is the implementing jurisdiction for such project.
- 6.3 No project hereunder may be approved after the termination of this Agreement.
- 6.4 The implementing jurisdiction for any project hereunder shall be responsible for taking such steps as may be necessary to carry out the project in question. In particular, the implementing jurisdiction may enter into one or more contracts for this purpose, or may utilize its own resources. Nothing herein prevents the implementing jurisdiction for any project hereunder from arranging with the other party hereto for the delivery of all or part of a project hereunder which it has the responsibility to implement.

- 6.5 Any contract entered into by the implementing jurisdiction with a third party for any project hereunder shall be awarded and administered in accordance with the administrative and management procedures of such implementing jurisdiction.
- 6.6 Reports, documents, plans, maps and other materials prepared by a third party who has been awarded a contract by the implementing jurisdiction for any project hereunder in connection with such a project shall become the property of the said implementing jurisdiction and, with respect to cost-shared projects hereunder, the said implementing jurisdiction shall share with the other party hereto the aforementioned reports, documents, plans, maps and other materials which it acquires as a result of carrying out its responsibilities under this Agreement.
- 6.7 Subject to subsection 6.6, all property, including patents, copyrights and other intellectual property and any revenue acquired as a result of the work performed under cost-shared projects hereunder shall be disposed of, licensed or otherwise dealt with as the Ministerial Policy Committee may from time to time determine.
- 6.8 The implementing jurisdiction, for any project hereunder, shall use Canadian goods and services in carrying out any such project hereunder to the full extent to which they are procurable, consistent with proper economy and the expeditious carrying out of such project.
- 6.9 Any contract entered into by the implementing jurisdiction for any project hereunder with a third party shall provide:
- (a) that any of the members of the Management Committee or a duly authorized representative shall be permitted to inspect the subject matter of the aforementioned contract at all reasonable times;
 - (b) that the third party will respect all applicable labour laws and standards; and
 - (c) that the third party undertakes either to indemnify or to provide a suitable insurance policy for the benefit of both parties hereto.
- 6.10 The implementing jurisdiction for any project hereunder shall indemnify and save harmless the other party hereto, its officers, servants and agents against all claims and demands of any third party arising out of the implementation of such project except to the extent that claims and demands relate to the act or negligence of any officer, employee or agent of the other party hereto.

- 6.11 Any contract entered into by the implementing jurisdiction for any project hereunder with a third party shall also contain provisions implementing the intent of subsections 6.6 and 6.8.
- 6.12 Where any project hereunder is not completed on the termination of this Agreement, the provisions of this Agreement shall, notwithstanding termination, continue in force and effect and shall apply to such project until completion of that project or until the expiration of a period of twelve months as of the said termination, whichever comes first.
- 6.13 Upon the completion of any project hereunder, the implementing jurisdiction or the third party assigned the on-going responsibility for such project shall take over full responsibility of that project's operation, maintenance and repair, except in cases where other arrangements between parties hereto specifically apply. Where the ongoing responsibility for the operation, maintenance and repair of any project hereunder is to be vested in a third party, the contractual arrangements made between the implementing jurisdiction and the said third party shall provide a clause in order to save Canada and Manitoba harmless from any claims, demands, actions, and causes of action which may be made against them arising out of the operation, maintenance and repair of any such project.

PAYMENT PROCEDURES

- 7.1 The implementing jurisdiction for a cost-shared project hereunder shall be responsible in the first instance to pay all costs of implementing the said cost-shared project and shall apply its payment procedures thereto.
- 7.2 "Eligible Costs" means all costs incurred and expended by the implementing jurisdiction for a project hereunder in connection with such project that are:
- (a) invoiced by a third party to the implementing jurisdiction under a contract entered into by the implementing jurisdiction with the said third party; or
 - (b) defined and determined by the Management Committee;
- but shall not include costs which are
- (c) any salary or benefits paid by either party to any of its permanent employees of a government department;
- 7.3 The implementing jurisdiction for a cost-shared project hereunder shall be entitled to recover from the other party hereto that other party's share of the eligible costs of the said cost-shared project which it has incurred and expended.

7.4 Unless otherwise indicated in Schedule A, the parties hereto shall fund any cost-shared project hereunder as approved by the Management Committee.

7.5 All claims, interim payments and adjustments by the parties hereto in respect of a cost-shared project hereunder will be submitted to the Management Committee for purposes of information.

7.6 In order to assist the implementing jurisdiction with the interim financing of the other party's share of the eligible costs of a cost-shared project hereunder which it is expected to incur and expend, the other party hereto may make, if the implementing jurisdiction so requests, quarterly interim payments based on a forecast of the said other party's share of the eligible costs that will be actually incurred and paid, such forecast to be prepared by the implementing jurisdiction and certified by a senior officer of the implementing jurisdiction. Where both parties request quarterly interim payments for different cost-shared projects in the same quarter, the amounts thereof shall be offset by the Management Committee.

7.7 Claims setting out the costs actually incurred and paid by the implementing jurisdiction in respect of a shared cost project hereunder shall be prepared by the implementing jurisdiction, certified by a senior financial officer of that jurisdiction and submitted within the first two months of the end of each quarter during the currency of this Agreement.

7.8 Notwithstanding anything in subsection 7.6, the implementing jurisdiction for a cost-shared project hereunder shall not be entitled to any quarterly interim payment in a subsequent fiscal year until all the quarterly interim payments received by such implementing jurisdiction in a previous fiscal year have been repaid or accounted for.

7.9 Notwithstanding subsection 7.3, the implementing jurisdiction for a cost-shared project hereunder shall not be entitled to recover from the other party hereto that other party's share of the eligible costs of the said cost-shared project in respect of the eligible costs which it has incurred and expended after the expiration of a period of twelve months as of the termination of this Agreement and the other party hereto will not be responsible to pay any claim which is received more than twenty-four months after the termination of this Agreement.

FINANCIAL PROVISIONS

8.1 Notwithstanding anything in this Agreement, the expenditures to be made by Canada, Canadian National Railway Company and Canada Ports Corporation in connection with projects hereunder, whether cost-shared projects or projects other than cost-shared projects, shall not exceed \$26.02 million, \$0.73 million and \$11.31 million respectively for a total of \$38.06 million.

8.2 Notwithstanding anything in this Agreement, the expenditures to be made by Manitoba and Manitoba Hydro in connection with projects hereunder, whether cost-shared projects or projects other than cost-shared projects, shall not exceed \$19.50 million and \$35.59 million respectively for a total of \$55.09 million.

8.3 The monetary obligations of Canada hereunder are subject to the express condition that there be an appropriation by the Parliament of Canada of the monies necessary therefor for the fiscal year in which any such obligation would come in course of payment.

8.4 The monetary obligations of Manitoba hereunder are subject to the express condition that there be an appropriation by the Legislative Assembly of Manitoba of the monies necessary therefor for the fiscal year in which any such obligation would come in course of payment.

AUDIT PROCEDURES

9.1 Each of the parties hereto shall ensure that proper and accurate accounts and records are maintained with respect to each project hereunder which it is implementing. Each of the parties hereto may audit the amounts of all claims of the other in respect of any cost-shared project hereunder which the other has implemented and the accounts and records related thereto, and any discrepancy between the amounts paid by any of the parties hereto and the amount payable under this Agreement shall be promptly adjusted between the parties.

9.2 Each of the parties hereto will provide to any member of the Management Committee on request all information that would indicate that a project hereunder has been undertaken or completed and the costs incurred with respect thereto.

COMMUNICATIONS

10.1 The parties hereto will cooperate in public information activities relating to this Agreement.

10.2 For cost-shared projects hereunder, announcements, release of reports etc. will be arranged by the Ministerial Policy Committee.

Subject to subsections 5.9(f) and 10.3, for projects other than cost-shared projects, announcements, release of reports etc... will be arranged by the Federal Minister for such projects implemented by Canada or by the Provincial Minister for such projects implemented by Manitoba.

10.3 In all public information activities, the parties hereto will be guided by the principle that all interested persons should be kept informed, that the contributions of both should be fairly acknowledged, and that both parties hereto should have a fair opportunity to participate.

EVALUATION

11.1 The Management Committee shall develop a plan for evaluating the programs outlined in Schedules A and B hereto as well as the projects arising thereunder.

11.2 This Agreement shall be completely reviewed jointly during the fiscal year commencing April 1, 1987 to consider all aspects of the implementation of this Agreement including the effectiveness of projects hereunder, for the purpose of considering the realignment of priorities as necessary and each party hereto agrees to give notice to the other party hereto of its intention to renew or not to renew this Agreement beyond March 31, 1989, and to indicate the length and conditions of this renewal, if any, and the proposed level of additional funding, if any, prior to September 30, 1988.

11.3 The Management Committee will submit to the Ministerial Policy Committee a final and comprehensive evaluation report between six and twelve months after the termination of this Agreement.

AMENDMENT

12.1 This Agreement may be amended from time to time by the written agreement of the Federal Minister personally and the Provincial Minister personally, but no amendments to subsections 6.3, 6.8, 7.8, 8.1, 8.2 and no amendments which would alter the nature of the programs described in Schedules "A" and "B" shall be made without the approval of the Governor-in-Council and the Lieutenant Governor-in-Council.

GENERAL

13.1 This Agreement shall commence on and take effect from April 1, 1984 and, subject to subsection 13.2, shall terminate on March 31, 1989.

- 13.2 Notwithstanding subsection 13.1, this Agreement may be terminated at the end of any fiscal year, following the expiration of at least three years from the date of execution hereof, by either party giving to the other at least two clear fiscal years' notice in writing thereof.
- 13.3 The laws in effect in Manitoba shall apply to this Agreement.
- 13.4 Any contribution paid by Canada hereunder shall be exempt from the application of section 5 of the Fair Wages and Hours of Labour Act, R.S.C. 1970, cL3.
- 13.5 No member of the House of Commons of Canada or the Legislative Assembly of Manitoba shall be admitted to any share or part of any contract, agreement, or commission made pursuant to this Agreement or to any benefit arising therefrom.
- 13.6 Nothing in this Agreement is to be construed as authorizing any one of the parties hereto to contract for or to incur any obligation on behalf of the other or to act as agent for the other, unless approved by the Management Committee.
- 13.7 The terms and conditions of the ERDA shall apply to this Agreement.
- 13.8 This document and Schedules A, B, C, and D form the entire Agreement of the parties hereto.

IN WITNESS WHEREOF this Agreement has been executed on behalf of Canada by the Minister of Transport and on behalf of Manitoba by the Minister of Highways and Transportation this day of , 1984.

THE GOVERNMENT OF CANADA:

Minister of Transport

THE GOVERNMENT OF THE PROVINCE OF MANITOBA:

Minister of Highways and
Transportation

CANADA - MANITOBA
SUBSIDIARY AGREEMENT ON CHURCHILL

SCHEDULE "A"

BACKGROUND

Churchill is a town of 1,300 inhabitants situated at the mouth of the Churchill River on the western shore of Hudson Bay. It is a distinctive northern settlement because it is a seaport for ocean-going ships and also by virtue of an industrial base which is not resource based (although it is resource related).

Since the early 18th century, Churchill has been a distribution centre, initially for the fur trade and today for the grain trade and for resupply operations to the Keewatin District. The grain port and the resupply operation account for significant employment in Churchill, while services, tourism, health, research and administration account for the remaining employment. In addition to its role as a grain port and main distribution point for northern resupply, Churchill operates as a secondary health referral centre for Keewatin patients and is equipped with a modern hospital and health centre.

There has been very substantial federal involvement in Churchill over the last four decades, including major investments in the Port, townsite, airport, housing, establishment of a marine resupply base and maintenance of rail passenger service to Churchill from Winnipeg. Ports Canada has been and still is the principal ongoing employer.

Shipping grain through Churchill to European markets offers benefits to prairie grain producers, relative to the Thunder Bay/St. Lawrence route, provided that the grain required to meet export contracts is available when required in the Churchill catchment basin.

Since 1973, major port improvements have been undertaken and by 1981 a total of \$15.5 million had been spent on project work. A further \$4.1 million were spent during 1980-81.

The port has generally handled less than 3 per cent of Canadian grain exports, the actual tonnage fluctuates quite dramatically. A record 735,000 tonnes were handled in the 1977 shipping season declining to less than 300,000 tonnes in 1980, rising again to about 557,000 tonnes in 1982 and to 629,000 tonnes in 1983. It is estimated by Ports Canada that a minimum of 715,000 tonnes of grain should be handled annually to cover elevator and port operational costs.

The shipping season at Churchill is primarily determined by the period of time during which non-ice-strengthened ocean-going vessels are permitted to operate above 60 degrees north latitude without

incurring substantially increased insurance costs. This strictly defined season extends from July 23 to October 20, a period of 90 days.

Aside from the insurance consideration, the limiting factor on the shipping season is imposed by ice conditions. In the spring, the Port of Churchill is open 3 to 4 weeks earlier than Hudson Strait, so the provision of ice-strengthened vessels such as the m.v. "ARCTIC" could extend the shipping season both at the beginning of the season and through the end of November.

The Canadian Wheat Board is responsible for marketing grain and to date is the only marketing agency using the port.

The CN boxcar fleet dedicated to grain is declining. CN Rail has indicated that it can provide boxcar service for the next 5 to 10 years.

The Grain Transportation Authority has recommended that the feasibility of a new lightweight rail car be seriously investigated as it would provide a long term solution to servicing both Churchill and light density branch lines.

Work on the Herchmer Subdivision of CN's Hudson Bay route under the federal government's Branch Line Rehabilitation Program is virtually complete at a cost of \$31 million. However, the track is not able to carry fully-laden hopper cars because of the permafrost problem.

Results of research on test sites along the Herchmer Subdivision to stabilize the roadbed using cryo-anchors and insulation techniques have proved good. Significant investment would be required to stabilize the roadbed in discontinuous permafrost zones in the Herchmer and Thicket subdivisions.

Churchill's energy needs are currently served by oil. Basic electricity requirements are met by diesel generation while heating requirements are met by fuel oil. The nine diesel generators are owned and operated by Manitoba Hydro.

An extension of the electrical service grid from Gillam, 308 kilometres to the south, could provide reduced electrical rates; the opportunity to convert from heating oil to electricity resulting in lower power consumption costs; improved energy security; and some possible economic development.

DEVELOPMENT OPPORTUNITY

The current and anticipated emphasis on development of the Far North holds implications for the regional and national transportation systems, as well as for Churchill. The guarantee of a medium term future for Churchill will permit long-term developments in minerals, hydro carbons and tourism. Churchill's popularity as a tourist centre with emphasis on the wildlife and wilderness aspects of the

area is increasing. The Western Premiers have consistently stressed the importance of Churchill to the western provinces and urged federal and provincial co-operation in developing the potential of the Port. Both Canada and Manitoba have agreed on the further development of Churchill as a northern transportation centre as a priority and have acknowledged the long-term strategic importance of Churchill. Indeed, the Legislative Assembly of Manitoba agreed to a resolution in June 1983, urging that the Federal Government and through it the Canadian Wheat Board utilize the Port to its present capacity for the shipment of grain; and that the Federal Government clearly commit itself to the upgrading and development of the Hudson Bay Rail Line and the Port of Churchill in order to fully utilize the potential of the Port.

DEVELOPMENT STRATEGY

The purpose of the overall development strategy under this Agreement is to provide the multi-modal infrastructure development which is required to stabilize the environment for the Port of Churchill. The development strategy will seek to meet the objectives of increased transportation efficiency and effectiveness; development of enhanced levels of transportation system safety; development of enhanced levels of transportation services; and development of advanced industrial technological capability in the transportation field.

Central to the strategy is an undertaking that the Canadian Wheat Board will exercise its best efforts to maximize grain shipments to the Port. This point is pivotal to stabilizing the environment of the Port of Churchill and to infrastructure improvements to the rail line, port and air facilities as well as to plans to extend hydro-electric power to Churchill. Technological initiatives such as development of a lightweight rail car hinges on stabilization of the environment of Churchill.

The Transportation Subsidiary Agreement provides for a comprehensive and integrated set of programs designed to achieve the objectives of stabilization and revitalization of Churchill.

PROGRAMS

The work to be undertaken in this Agreement falls into six programs. The federal and provincial programs will be planned and co-ordinated by the Management Committee.

- A Rail Infrastructure Improvements
- B Port Infrastructure Improvements
- C Air Infrastructure Improvements
- D Provision of Hydro-Electricity Facilities
- E Studies for the Development of Churchill's Potential
- F Program Administration and Communications

DESCRIPTION OF PROGRAMS

PROGRAM A - RAIL INFRASTRUCTURE IMPROVEMENTS - CONTRIBUTION

This program is a contribution program which will be implemented by Canada and will be jointly funded by Canada and Manitoba. The contribution hereunder would be available to CN provided that CN would perform the following work.

I Railway Rolling Stock

CN will provide adequate railway rolling stock to carry 750,000 tonnes of grain to the Port of Churchill each Churchill shipping season at least to 1990.

Boxcar Rehabilitation

Up to 1,000 boxcars will be rehabilitated by CN at its Transcona shops in Winnipeg during the period 1984-86, to be cost-shared equally by Canada and Manitoba. The precise scheduling of this work will be determined by Canada, Manitoba and CN.

Should it be decided by Canada, Manitoba and CN not to build a fleet of new design lightweight cars for use in Churchill service then up to 1,000 additional boxcars will be rehabilitated at CN's Transcona shops during the period 1986-89 to be cost-shared equally by Canada and Manitoba. The precise number of cars and scheduling of this work will be determined by Canada, Manitoba and CN.

CN will maintain at its expense 1,000 of its boxcars to 1990 in addition to the boxcars rehabilitated.

The average estimated cost of rehabilitating one boxcar (1983-84\$) is \$26,300 if roller bearings are required (based on the purchase of second hand trucks) and \$16,300 if CN is successful in its request to the Railway Transport Committee of the CTC to change its requirement that 75% of the car fleet is to be equipped with roller bearings by 1987.

II Prototype Grain Car

Given the rate of attrition of the present grain boxcar fleet, the cost of boxcar rehabilitation and the inability of the line to Churchill to support hopper car traffic, CN will undertake the following tasks at its expense during the period 1984-86:

1. Design a prototype grain car in Winnipeg for a maximum gross weight of 220,000 pounds with a maximum height of the centre of gravity of 83 inches and a suspension system adequate for the unique track/train dynamics expected on the line to Churchill (estimated cost \$100,000).

2. Field testing of the prototype car (estimated cost \$300,000).
3. Economic feasibility study of the manufacture and operation of a fleet of new lightweight cars, based on the prototype design, on a system wide basis, compared with alternative means of serving Churchill and the load restricted branch line network by rail (estimated cost \$20,000).

Canada and Manitoba will cost-share equally the construction of the prototype car at the CN Transcona shops up to \$300,000 maximum with field testing of the car planned for June 1985.

Should it be decided by Canada, Manitoba and CN to produce a number of lightweight cars in Manitoba following field tests of the prototype car and the economic analysis, then CN, should it be the successful bidder, will build the cars at its Transcona shops with funds that Canada and Manitoba will have allocated under the Transportation Subsidiary Agreement.

III Railway Roadbed

The EBA consultants research project financed by the federal government under the Branchline Rehabilitation Program produced good results from the roadbed stabilization techniques tested. It is now proposed to conduct further geotechnical investigations of the discontinuous permafrost zones on the Thicket and Herchmer Subdivisions to determine more precisely the nature and extent of the roadbed foundation problems.

Canadian National will undertake and fund the following work to be completed during the period 1984-86.

- A(1) Field test of ground penetrating radar at existing test sites to determine whether frozen and unfrozen areas can be distinguished by employing radar techniques (estimated cost \$37,000).
- A(2) Comparative tests of the thermal performance of the cryo anchors and long thermoprobes made in Manitoba at a suitable southern site on the Thicket Subdivision, to reduce data acquisition costs (estimated cost \$31,000).
- A(3) Collect and analyse data from air photography, geophysical and geotechnical surveys to determine depth and location of zones along the Hudson Bay route which require thermal protection (estimated cost \$125,000).
- A(4) Any project management costs associated with A(1) (2) and (3) above.

B CN will undertake the following related work to be paid for by Canada commencing no sooner than fiscal year 1986-87 and ending no later than fiscal year 1988-89, provided Canada, Manitoba and CN, upon completion of the projects described in A(1) (2) and (3) above, agree on the usefulness of the related work.

B(1) Test installation of heat pipes on the Thicket Subdivision to confirm thermal calculations on the effectiveness of heat pipes for stabilizing permafrost in a warmer climate (estimated cost \$250,000).

B(2) Pilot test of heat pipes on sink holes over a 2 mile section of track to determine track quality expectations after full scale installation (estimated cost \$700,000).

B(3) Project Management costs associated with B(1) and (2) above will be borne by CN.

(N.B. Total project management costs for projects A(1) (2) and (3) and B(1) and (2) are estimated at \$117,000.)

PROGRAM B - PORT INFRASTRUCTURE IMPROVEMENTS

PORTS CANADA

This program is a contribution program which will be implemented by Canada and will be entirely funded by Canada. The contribution hereunder would be available to Ports Canada provided that Ports Canada would perform the following work.

1. Elevator Health and Safety Improvement Program

To meet statutory health and safety requirements of Labour Canada in the operation of the Churchill grain elevator and ancillary buildings Ports Canada will undertake at its expense two programs in 1984-85:

- a. phased-in dust control equipment improvement at an estimated cost of \$5.1M; and
- b. removal of asbestos insulation in the warehouse at an estimated cost of \$0.11M.

2. Dredging

The berth at the Port of Churchill will be deepened from its present depth of 10 metres to a depth of 11.6 metres at a cost of \$6.1M. Engineering work will be done over the next few months with the actual work to be carried out in the 1985 summer season at Ports Canada's expense.

3. Tug Construction

Ports Canada will commission the construction in Manitoba of a new 2600 hp tugboat to replace

the "W.N. TWOLAN". The tug would be designed to fulfill the primary task of ship berthing at the Port of Churchill with the necessary equipment to carry out the various other tasks required of it. It is estimated that construction could get under way within eight months. Canada will reimburse to Ports Canada all expenses which it may reasonably incur in connection with the construction of the tug up to a maximum of \$3.44 million.

Discussions will be held with a view to arranging an extension of the navigation season for the Port of Churchill for the 1984 season.

PROGRAM C - AIR INFRASTRUCTURE IMPROVEMENTS

This program will be implemented and entirely funded by Canada.

In order to meet the demand for aviation at Churchill Airport based on existing Transport Canada standards and levels of service, Canada will make significant capital expenditures for major construction of new facilities. Construction will consist of a new Air Terminal Operations building to replace the existing facilities presently located in a Transport Canada hangar constructed in 1950. Free space will be made available in the hangar to accommodate cargo activities as required. It is anticipated that the work will be undertaken in 1987-88. Canada will fund and implement the program.

PROGRAM D - HYDRO-ELECTRICITY INFRASTRUCTURE IMPROVEMENTS

This program will be implemented by Manitoba and will be directly funded by Manitoba.

Manitoba, through its utility, Manitoba Hydro, will construct a power transmission line to Churchill by 1987 at an estimated expense to Manitoba of \$35.59 million. The extension, although offering significant net benefits to customers would in the absence of off-setting funding, result in greater losses for Manitoba Hydro than with the diesel system. The fixed nature of the extension cost to Manitoba Hydro and uncertainty of customer demand over the long term poses an investment situation which would not normally be entertained. The project would be considered sufficiently viable for Manitoba Hydro provided its 10 year loss position with extension can reasonably be anticipated to be the same as its loss position after 10 years of diesel service; this may be described as Manitoba Hydro "break-even".

Accordingly, to this end Canada will guarantee a contribution of \$12 million to the project by way of a special rate structure whereby the Federal Government users of electricity will continue to pay diesel electric rates for traditional consumption for an 8 year period (with provision for review and extension by up to 2 years should the Manitoba Hydro "break-even" not be achieved) from commissioning of extension of the power grid. The Federal Government and Manitoba are currently developing a formula for special power contracts in this regard.

Under this arrangement the Federal Government customers of Manitoba Hydro in Churchill, would benefit immediately from lower grid rates for all new loads added over and above established traditional consumption figures. Full benefits of the grid rates would be available after the termination of the special power contracts.

PROGRAM E - STUDIES FOR THE DEVELOPMENT OF
CHURCHILL'S POTENTIAL

This program will be implemented through the University of Manitoba Transportation Institute and funded by Canada and Manitoba.

Studies to evaluate options to preserve and expand marine and air resupply operations at Churchill and to explore ways and means of extending the season of navigation at Churchill will be undertaken. Studies will examine the long term economic potential in resource development, tourism and re-supply.

PROGRAM F - PROGRAM ADMINISTRATION AND COMMUNICATIONS

I Communications Program. The objective of the communications program is to develop and implement a communications plan to service each project undertaken as part of this Agreement, in accordance with the directives of the Ministerial Policy Committee. The communications program will support appropriate public consultations, seminars, presentations, information and transfer through such means as report publication and distribution, and other public relations and public information activities deemed necessary to achieve the objectives of the Agreement.

Canada will fund and implement communications activities related to those projects which are 100% funded by Canada. Manitoba will fund and implement communications activities related to those projects which are 100% funded by Manitoba. For projects which are cost-shared, communications activities will be implemented by either Canada or Manitoba, whichever is deemed appropriate by the Management Committee, with the implementing jurisdiction recovering the other party's share.

II Administration and Evaluation. The projects will be evaluated in terms of their objectives. The Management Committee will establish a data base for the projects, possibly through an evaluation sub-committee, as a basis for reporting periodically to Ministers and for the evaluation. Canada will fund and implement evaluations for those projects which are 100% funded by Canada. Manitoba will fund and implement evaluations which are 100% funded by Manitoba. For projects which are cost-shared, evaluations will be undertaken by either Canada or Manitoba, whichever is deemed appropriate by the Management Committee, with the implementor recovering the other party's share.

The Management Committee will be responsible for the administration of the Agreement, which will entail the development and maintenance of a suitable record and information system, including the evaluation data base, the management of the contract work load and the necessary financial management. Program administration activities will be undertaken separately by Canada and Manitoba.

CANADA - MANITOBA
SUBSIDIARY AGREEMENT ON CHURCHILL

SCHEDULE "B"

SUMMARY OF ESTIMATED COSTS 1984-89
(\$000,000's) CURRENT

PROGRAM	FEDERAL SHARE		PROVINCIAL SHARE		TOTAL 5 YEARS
	FEDERAL	CN	PORTS	MANITOBA HYDRO	
PROGRAM A					
Rail Infrastructure Improvements and Rolling Stock	19.0	0.73*	--	19.0	38.73
PROGRAM B					
Ports Canada Infrastructure Improvements (Dredging, asbestos removal, dust control and tug construction	3.44	--	11.31	--	14.75
PROGRAM C					
Air Infrastructure Improvements (Churchill Airport)	2.8	--	--	--	2.8
PROGRAM D					
Hydro-Electricity Infrastructure Improvements	**	--	--	35.59	35.59
PROGRAM E					
Studies for Development of Churchill's potential	0.5	--	0.05	--	0.55
PROGRAM F					
Program Administration (Evaluation, Audit Activities)	0.14		0.23		0.37
Communication Activities	0.14		0.22		0.36

* does not include cost of CN maintaining Churchill boxcar fleet, line related costs and projected administrative costs.

** all federal users at Churchill to pay partial capital cost recovery through tariff agreements, (subject to final negotiation) which is expected to be \$12.0 million.

Canadian National Railway Company (CN)
commitments in respect of the Canada-Manitoba
Transportation Subsidiary Agreements on Churchill and
Transportation Development.

I Railway Rolling Stock

CN, according to its powers, will provide adequate railway rolling stock to carry up to 750,000 tonnes of grain to the port of Churchill each Churchill shipping season at least to 1990.

Boxcar Rehabilitation

Up to 1,000 boxcars will be rehabilitated by CN at its Transcona shops in Winnipeg during the period 1984 to 1986, to be cost-shared equally by Canada and Manitoba. The precise number of cars and the scheduling of this work will be determined by Canada, Manitoba and CN.

Should it be decided by Canada, Manitoba and CN not to build a fleet of new design light-weight cars for use in Churchill service, then up to 1,000 additional boxcars will be rehabilitated at CN's Transcona shops during the period 1986-89 to be cost shared equally by Canada and Manitoba. The precise number of cars and the scheduling of this work will be determined by Canada, Manitoba and CN.

CN will maintain at its expense up to 1,000 of its boxcars to 1990 in addition to the boxcars rehabilitated at the expense of Canada and Manitoba.

The average estimated cost of rehabilitating one boxcar (1984 \$) is \$26,300 if roller bearings are required (based on the purchase of second hand trucks) and \$16,300 if CN is successful in its request to the Railway Transport Committee of the CTC to change its requirement that 75% of the car fleet is to be equipped with roller bearings by 1987.

II Prototype Grain Car

Given the rate of attrition of the present grain boxcar fleet, the cost of boxcar rehabilitation and the inability of the line to Churchill to support hopper car traffic, CN will undertake the following tasks at its expense during the period 1984 to 1986.

- (1) Design a prototype grain car in Winnipeg for a maximum gross weight of 220,000 pounds with a maximum height of the centre of gravity of 83 inches and a suspension system adequate for the unique track/train dynamics expected on the line to Churchill (estimated cost \$100,000).
- (2) Field testing of the prototype car (estimated cost \$300,000).
- (3) Economic feasibility study of the manufacture and operation of a fleet of new light-weight cars, based on the prototype design, on a system-wide basis, compared with alternative means of serving Churchill and the load restricted branch line network by rail. (estimated cost \$20,000.)

Canada and Manitoba will cost-share equally the construction of the prototype car at the CN Transcona shops up to \$300,000 maximum with field testing of the car planned for June 1985.

Should it be decided by Canada, Manitoba and CN to produce a number of light-weight cars in Manitoba, following field tests of the prototype car and the economic analysis; then CN, should it be the successful bidder, will build the cars at its Transcona shops with funds that Canada and Manitoba will have allocated under the Transportation Subsidiary Agreement, but in any event the terms of the car construction contract shall include specifications satisfactory to the operating railway.

III Railway Roadbed

The EBA consultants research project financed by the federal government under the Branchline Rehabilitation Program produced good results from the roadbed stabilization techniques tested. It is now proposed to conduct further geotechnical investigation of the discontinuous permafrost zones on the Thicket and Herchmer Subdivisions to determine more precisely the nature and extent of the roadbed foundation problems.

A Canadian National will undertake at its own expense the following work to be completed during the period 1984 to 1986.

A(1) Field test of ground penetrating radar at existing test sites to determine whether frozen and unfrozen areas can be distinguished by employing radar techniques (estimated cost \$37,000).

A(2) Comparative tests of the thermal performance of the cryo anchors and long thermoprobes made in Manitoba at a suitable southern site on the Thicket Subdivision, to reduce data acquisition costs (estimated cost \$31,000).

A(3) Collect and analyse data from air photography, geophysical and geotechnical surveys to determine depth and location of zones along the Hudson Bay route which require thermal protection (estimated cost \$125,000).

A(4) Any project management costs associated with A(1) (2) & (3) above.

B CN will undertake the following related work at Canada's expense, commencing no sooner than fiscal year 1986-87 and ending no later than fiscal year 1988-89, provided Canada and CN, upon completion of the projects described in A(1) (2) & (3) above, agree on the usefulness of the related work.

Canada Ports Corporation (CPC) SCHEDULE D
Commitments in respect of the
Canada-Manitoba Transportation Sub-Agreement
on Churchill

1. Elevator Health and Safety Improvement Program

To meet statutory health and safety requirements of Labour Canada in the operation of the Churchill grain elevator and ancillary buildings, Canada Ports Corporation will undertake at its expense two projects in 1984/85:

- (a) phased-in dust control equipment improvement at a cost of \$4.8M (1983 dollars); and,
- (b) removal of asbestos insulation in the warehouse at a cost of \$1M (1983 dollars).

2. Dredging

Canada Ports Corporation will, at its expense, deepen its berth at the Port of Churchill from its present depth of 10 metres to a depth of 11.6 metres at a cost of \$5.5M (1983 dollars). Engineering work will be done over the next few months with the actual work to be carried out in the 1985 summer season.

3. Tug Construction

Canada Ports Corporation will commission the construction in Manitoba of a new 2,600 HP tugboat to replace the "W. N. Twolan" at a cost of \$3.44M to be funded exclusively by Canada. The tug will be designed to fulfill the primary task of ship berthing at the Port of Churchill with the necessary equipment to carry out the various other tasks required of it. It is estimated that the construction could get under way within eight months.

Signed: _____

J. Auger
President and Chief Executive Officer
Canada Ports Corporation

Date: _____

* Attached to the Minister of Transport's letter of March 1984 to the President of the Canada Ports Corporation.

- B(1) Test installation of heat pipes on the Thicket Subdivision to confirm thermal calculations on the effectiveness of heat pipes for stabilizing permafrost in a warmer climate (estimated cost \$250,000).
- B(2) Pilot test of heat pipes on sink holes over a 2 mile section of track to determine track quality expectations after full scale installation (estimated cost \$700,000).
- B(3) Project Management costs associated with B(1) & (2) above will be borne by CN.
- (N.B. Total project management costs for projects A(1) (2) & (3) and B(1) & (2) are estimated at \$117,000.)

IV Research

Upon completion of a new research facility at the University of Manitoba CN will deploy certain research staff at that facility. This staff will however remain part of CN's system-wide research group. CN will pay all their personnel costs and contribute towards the light, heat and power (but not rental) costs of the research facility during the life of the Subsidiary Agreement (such costs and contributions not to exceed \$250,000 per annum).

Accepted by Canadian National Railway Company

Signed

R.E. Lawless
President & Chief Operating Officer
CN Rail, Canadian National Railway Company

* This is the schedule attachment to the letter from the Minister of Transport to Mr. R.E. Lawless dated